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Letter from Bob Diamond, Barclays Chief Executive

Barclays Chief Executive Bob Diamond has sent the following letter to Mr Andrew Tyrie MP, the Chairman of the Treasury Committee, this evening:

Mr Andrew Tyrie MP
Chairman, Treasury Select Committee
7 Millbank
House of Commons
London
SW1P 3JA

28 June 2012

Dear Andrew

You indicated in comments to the media yesterday that you plan to convene a Treasury Committee meeting before the recess to discuss Barclays announcement yesterday that we have agreed to pay total penalties of £290m to authorities in the UK and the US following an investigation into the submission of various interbank offered rates.

I am writing to let you know that I would be happy to attend such a session. I appreciate that the nature of the settlements disclosed yesterday raises many questions, and I welcome the opportunity to provide answers to those for the Treasury Committee. My office stands ready to work with the Committee Clerk to facilitate that at your convenience.

As you know, our settlements yesterday represent only a part of a complex, industry-wide investigation by authorities that include the U.S. Department of Justice, Fraud Section, U.S. Department of Justice, Antitrust Division, the U.S. Commodities Futures Trading Commission and the Financial Services Authority. Barclays is the first bank to settle with those authorities. That settlement is the result of several years of work that involved close cooperation between Barclays and the DoJ, CFTC and FSA. As a result, the findings are extremely detailed. But the principal message is simple: Barclays actions did not meet the high standards that we set for ourselves.

The authorities' findings highlight two major issues, and I want, by way of context for the Committee, to set out for each what the issue was, what Barclays position is, and what we have done and are doing to put things right. It is vital to look at them separately as they are wholly unrelated.

The first issue is that Barclays traders attempted to influence the bank's submissions in order to try to benefit their own desks' trading position. This is, of course, wholly inappropriate behaviour. Barclays submissions should reflect the cost of interbank borrowing rather than individual traders' positions. The interventions in question were typically on the short term one and three month rates relevant to the wholesale markets and not the longer term rates used to set, for example, retail mortgages. It is also important to note that these traders had no way of knowing whether or not their actions would ultimately benefit or detriment Barclays overall. They were operating purely for their own benefit.

This inappropriate conduct was limited to a small number of people relative to the size of Barclays trading operations, and the authorities found no evidence that anyone more senior than the immediate desk supervisors was aware of the requests by traders, at the time that they were made. Nonetheless, it is clear that the control systems in place at the time were not strong enough and should have been much better.

When the trader conduct was first discovered by more senior management, steps were immediately taken to stop it, and it was reported to the authorities. In addition, when the scale of the issue was understood, the bank took steps necessary to strengthen its systems and controls to prevent any repeat.

The second issue relates to decisions taken in relation to the LIBOR setting process during the credit crisis. The authorities found that Barclays reduced its LIBOR submissions to protect the reputation of the bank from negative speculation during periods of acute market stress. The unwarranted speculation regarding Barclays liquidity was as a result of its LIBOR submissions being high relative to those of other banks. At the time, Barclays opinion was that those other banks' submissions were too low given market circumstances.

To be clear, Barclays encountered no liquidity problems through 2007 and 2008. The inaccurate speculation about potential liquidity problems in the two periods noted created a real and material risk that the bank and its shareholders would suffer damage. It was, as you will recall, a period of extraordinary turbulence and uncertainty. This raised questions for the bank about the integrity of the LIBOR setting process, and various individuals within Barclays raised issues externally about that, including with the British Bankers' Association, Financial Services Authority, Bank of England and US Federal Reserve.

Even taking account of the abnormal market conditions at the height of the financial crisis, and that the motivation was to protect the bank, not to influence the ultimate rate, I accept that the decision to lower submissions was wrong.

Barclays has co-operated fully with the authorities in their investigations of both of these issues, and the authorities have extensively praised the level and speed of our co-operation. I note, again, that those investigations took place over several years. Over that period, the bank has also taken decisive action to ensure that the LIBOR submission process at Barclays is protected from inappropriate pressure so that the issues highlighted by the authorities cannot be repeated.

Our focus during this period has necessarily been on improving our internal controls and systems. Barclays is also an active advocate for significant change in the LIBOR setting process and are working with the BBA as part of an industry-wide review of the submissions process. That is necessary to protect against the kind of issues identified in these investigations.

Given the nature of the behaviours uncovered through these investigations, questions of accountability have rightly been raised. Following conclusion of the regulatory investigations, and yesterday's public announcements, we are now completing a review of employee conduct for all of those involved. That process is rigorous and all

appropriate options will be pursued for those who have a case to answer, ranging from the clawback or withholding of remuneration to being asked to leave the bank.

As well as accepting the authorities' penalties and apologising, it is important that Barclays takes further action. First, we must demonstrate responsibility. That is why I, and three of my senior colleagues, volunteered to forgo any consideration for bonuses in 2012, recognising our responsibility as leaders of the organisation in which these events occurred.

But we need to do more than that. We need to work every day to rebuild the trust that has been damaged by these actions and others that have come before them. This kind of conduct has no place in the culture of Barclays. I am determined that Barclays plays its role as a full corporate citizen, acting properly and fairly always, and contributing positively to society in everything that we do.

I look forward to appearing before the Committee soon. I should note, and you will appreciate, that the industry-wide civil and criminal investigations by the authorities are ongoing. Barclays has committed to continuing to cooperate with these investigations, as we want the full issues to be discovered and fixed. There are also ongoing legal proceedings. There will, therefore, be some questions which, at this stage, I will not be able to answer in detail.

I would be happy to discuss in advance, or have my team do so with the Committee Clerk, the areas which are likely to be of particular interest or focus for the Committee, if you think that would help ensure the most productive use of the Committee's time.

Yours sincerely,

Bob Diamond

Chief Executive, Barclays

About Barclays

About Barclays

Barclays is a major global financial services provider engaged in personal banking, credit cards, corporate and investment banking and wealth and investment management with an extensive international presence in Europe, the Americas, Africa and Asia.

With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs 140,000 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

For further information about Barclays, please visit our website www.barclays.com.

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